Testimony Of Gene Guilford, President of the Independent Connecticut Petroleum Association, concerning SB 450

ICPA | Independent Connecticut Petroleum Association & Education Foundation

Chair Fonfara, Chair Nardello and members of the Energy and Technology Committee, my name is Gene Guilford and I am President of the Independent Connecticut Petroleum Association of Cromwell, Connecticut.

ICPA and its Education Foundation represents 576 members in Connecticut who sell heating and motor fuels to 650,000 heating consumers and 1.3 million drivers in our state and their 13,000 Connecticut-based employees.

We are here today in opposition to several sections of SB 450 and we will also, in the name of efficiency and your time, address SB 451 as well.

SB 450 Section 1. There is no excess gasoline gross receipts tax money [ask Ben Barnes, the budget director] and since there is none, someone will look for energy efficiency funding elsewhere as others in Hartford have before and still do seek a new tax on us and we are unalterably opposed to such a tax and want to make sure you vote against any such attempt to impose a new tax. Environmental groups have been doing briefings for legislators this session on imposing these "new" taxes and we leave nothing to chance in strenuously opposing these proposals. All our customers already pay an energy efficiency tax on their electric bills [the combined benefits service charge], and that already equals about 3c a gallon. We do not need another tax.

If there were "excess" funds, and there are not, they would be resolving the $98 million backlog of unpaid claims owed to tank owners under the Commercial Tank program. That legislation [SB 375] was heard last Friday in Environment. If you need to explore this further we would be happy to, though having agreed to one tax only to see its revenues diverted and used for purposes other than its intended purpose is one powerful reason not to trust new taxes, even with the best of intentions.

ICPA was responsible for the writing of and with the help of Senator Fonfara and others, secured passage of the creation of the Fuel Oil Conservation Fund in 2007. This was and remains a reflection of our commitment to having a robust energy conservation program working in our state driven by the Oilheat industry. A key to our involvement in this process is having the FOCB ostensibly driven by the industry as the privately held, largely small business Oilheat industry operates totally differently and has a significantly different relationship with its customers than the utility industry. Unfortunately, in the legislation you passed in the Special Session last October, the DEEP significant undermined the FOCB's organization and appointments. Yet another reason to be skeptical of the intentions of the DEEP and their future goals.

The FOCB focused its attention on consumers who were also low income energy assistance recipients for a simple reason - decades of neglect of the whole home envelope in which these consumers lived resulted in considerable loss of heat and waste of heating dollars as government did pay attention to the need to pay the energy bill but paid vastly less attention on the energy efficiency of the dwelling in which these consumers lived. We proved a 3:1 ratio of savings where from each $1 of energy conservation measure spent we achieved $3 in energy consumption reductions. Unfortunately, the FOCB lost $12.5 million of its $15 million through cuts as the state's budget problems worsened. Once again, funds given and then taken away for other purposes. Another reason to be skeptical.

SB 450 Section 2. We are strong believers in open, transparent markets with consumer choice. Industrial and commercial consumers have had choice in their natural gas suppliers since the late 1990s and this is an opportunity for you to instruct the Public Utility Regulatory Authority to open a docket immediately on the potential consumer benefits of such a choice in the residential marketplace as well. We are transitioning traditional heating oil retailers to become all-energy providers and many already sell electricity to their customers. We are about to embark on transitioning heating oil retailers to sell natural gas to industrial and commercial markets in our state. Let's complete the job with a docket on residential service as well. The natural gas markets should not be the sole province of large, multi-state, multi-national companies when we can and to some extent have started a competitive marketplace that could benefit consumers. You can do that now.

SB 450 Section 3. In much the same way I suggested changes in Section 2, you have an opportunity in Section 3 in the competitive marketplace as well. However, our recommendation is to establish a pilot program between natural gas utilities and some of our more than 1,400 retail service stations already selling motor fuels. Give us the opportunity to serve the driving public, and whatever increases in natural gas-powered vehicles may come along in this market, by working with us to develop a partnership between utilities and service stations that already serve the driving public.

SB 450 Section 4. Imagine the state government were to announce a study ending your job, or your business? How would you react? Even the study, by the state government I pay taxes to, of the ability or willingness to construct a program to, by force of law, take my customers away from me and hand them to a multi-national, multi-state utility that is guaranteed a profit while I am not, is so horribly arrogant and offensive to me that words cannot begin to describe what a bad idea such a thing is to even study. Imagine the state were to study the benefit of everyone buying a Ford instead of a Chevy, or buying groceries from Wal-Mart and not Stop & Shop.

Heating Oil has had an economic advantage over natural gas in 17 of the past 20 years. At no time did we come here recommending even a study of why consumers should be switched to fuels we sell. No one, and I mean no one, can tell you where energy markets will be over the next year, two or five years.

Just four years ago, plans were made to build a highly controversial liquefied natural gas plant in the middle of Long Island Sound. When natural gas sold for $8 per mmillion BTUs, someone figured they could make money liquefying natural gas in Algeria and putting it on a boat, sending it across the Atlantic, then unloading it in Long Island Sound. That project has been abandoned given economics that were not known four years ago. No one can tell you what the economics of highly dynamic energy markets will be four years from now.

The state has no business studying, or enacting based on any study, decisions that are properly made in the marketplace every day by consumers who weigh what is best for them and their families. And, if you're going to take my business, count on the state writing me a large check because to do so would be a violation of the U.S. Constitution's 5th amendment "takings" clause. $6.8 billion ought to cover it.

Section 4 should be removed from this bill.

SB 450 Section 5. We can do the study on impediments or barriers to heating oil retailers participating in energy efficiency programs right now. However, this is worded backwards.

First, through our full-service retailers and 4,500 HVAC licensed technicians we are in every home we serve in the state at least once a year in the service of the HVAC system to ensure these systems operate a maximum efficiency. No industry can even come close to the record we build on each and every day in the service to our customers' energy efficiency needs.

Second, on March 6 & 7 ICPA participated, with about 100 others, including DEEP Commissioner Esty, in an energy efficiency strategic planning exercise sponsored by the CT Housing Development Fund and facilitated by Booz Allen Hamilton, at Rentschler Field in East Hartford. The purpose of the exercise was to try to determine how everyone can make better use of energy audits, and how we gain access to more homes for audits beyond the 7% achieved thus far. ICPA and Commissioner Esty hatched a plan to wed our 4,000 HVAC technicians together with the 27 HES contractors and make better use of each other's strengths. We are in virtually everyone's home once a year for HVAC tune-ups, and the HES contractors need that access to deal with the energy efficiency challenges of the rest of the home. ICPA has already met with most of the contractors and we're putting together a joint session in April;

Out of this energy efficiency conference came some important facts that you need to know.

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HES Program energy audit participants [Just in CL&P's territory, about 75% of the electric market] [by home heating fuel used]

Our customers, who are already paying the Combined Benefit Service Charge of the equivalent of 3c a gallon on their electric bills, are the single largest users of the HES home energy audit program. Since we are all already paying for it, and are using it more than anyone else by a radio of 3 to 1, we are making good progress on how improve energy efficiency of the whole home – not just the HVAC system - in oil heated homes.

Oil - 9,528 [total consumers 650,000]
Gas - 3,140 [total consumers 390,000]
Electric - 1,584 [total consumers 1.2 million]
Propane - 545 [total consumers 50,000]

Further, in our Connecticut Department of Higher Education certified school, we train individuals in the Building Performance Institute [BPI] standard that is required prior to becoming an HES-qualified contractor. Unfortunately, we have a very real barrier in the utilities' restriction on the number of HES contractors they will allow into the program.

As a state, we will never meet the goal of tripling the number of energy audits performed if we continue to restrict the number of HES contractors created under this program.

Frankly, we have less catching up to do with HES programs than HES programs need to catch up with us. Remember, there are no state subsidies for our programs. Working together, starting in April, we can marry the strengths of each.

We all have work to do. We make a substantial contribution to that work today, as we have for over 130 years. We will not make progress by turning over these markets to multi-state, multi-national utilities. We can make progress by recognizing the contributions of deliverable fuels companies and the services they provide to consumers now [without state subsidy]. We can make progress if we recognize how deliverable fuels are different from regulated utilities and, if we can do that, we can become a more diversified energy market with greater consumer services and choice, deliver broader energy efficiency services, and manage to accomplish that without ending the lives of 600 independently-owned and operated, mostly multi-generation family businesses and the jobs of the 13,000 people working here today.

We share the Governor's goal of Connecticut leading the country in energy efficiency and conservation but through voluntary partnership. Count us in.

SB 450 needs to be rewritten, beginning with the title.

SB 451. We worked with this committee in the last session in the omnibus energy bill that constructed a loan program with a repayment via the customer's electric bill. We have a variety of consumer loan programs available today http://icpa.org/consumer_loan.html,

Some programs that ICPA has were developed with loan vendors. In using these programs we understand that a key to successfully encouraging a system upgrade or replacement, or other energy efficiency work in the whole home envelope, is to be able to offer the lowest possible interest rate. Low, single digit interest rates garner more favorable consumer response than even high single digit interest rates and this is true virtually regardless of income level. One area in need of improvement is the interest rate structure and we continue to work with the state on the development of the CEFIA program to that end. There may be others, but we are not sure of the value of this particular program, nor of the wisdom of allowing the utilities to run it.